
CONTRACT COMPLIANCE AUDIT CALIFORNIA DRUG COUNSELING, INC.



PRELIMINARY REPORT

Prepared by:

California Department of Corrections and Rehabilitation
Office of Audits and Compliance

August 2008

CALIFORNIA DRUG COUNSELING, INC.

Contract Number P05.0018

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AUDITOR'S REPORT

Carl E. Rowe, Pharm.D.
Executive Director
California Drug Counseling, Inc.
11751 Davis Street
Moreno Valley, CA 92557

Dear Dr. Rowe:

The California Department of Corrections and Rehabilitation's (CDCR), Office of Audits and Compliance, Audits Branch completed a fiscal contract compliance audit of contract number P05.0018 between California Drug Counseling, Inc. (CDCI) and the CDCR. Under the terms of the agreement, CDCI agreed to provide Parolee Employment Program (PEP) services for four parole units in California's Riverside County. The costs for these services were not to exceed \$132,000 for the period of July 1, 2006 through June 30, 2007.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards, including tests of controls and other such auditing procedures considered necessary under the circumstances.

The scope of the audit was limited to financial and selected compliance activities of the PEP program for the period of July 1, 2006 through June 30, 2007.

The audit fieldwork was conducted during the period of April 7, 2008 through May 30, 2008.

The specific objectives of the audit were to determine whether:

- All referrals on Activity Reports (CDCR Form 1502) were completed and signed by the parole agent and unit supervisor prior to services being rendered.
- Expenses claimed were for actual provided services, allowable, and supported by appropriate source documentation.
- Parolee-participants' case files are maintained, and documentation relating to payment for data collection exists per contract terms.
- CDCI billed at the appropriate rates for the type of services provided.

- CDCI complied with the terms and conditions of contract number P05.0018.

The procedures performed in the audit included:

- A review of the contract provisions and related program records, as well as, pertinent laws, regulations, rules and procedures.
- A review of parolee participants' case files.
- Tests of a sample of expenditures to provide reasonable assurance that CDCI complied with the contract's fiscal provisions.

The Audits Branch identified six findings. The first two are monetary findings related to deficiencies in job development workshops and job placements. Findings 3 through 6 are non-monetary, and involve contract compliance deficiencies. Because the audit was limited to a selected test period and fiscal transactions, the Audits Branch does not express an opinion on the Contractor's internal controls or contract compliance as a whole for the contract period of July 1, 2006 through June 30, 2007.

RICHARD C. KRUPP, Ph.D.

Assistant Secretary

Office of Audits and Compliance

May 30, 2008 (last date of fieldwork)

EXECUTIVE SUMMARY

The CDCR entered into contract number P05.0018 with CDCI to implement the PEP for four Parole Units in Riverside County, California. The PEP is a CDCR program intended to prepare and assist parolees in obtaining and retaining permanent employment by conducting job development workshops, and providing job referrals and employment placements for the parolee-participants. The costs for these services were not to exceed \$132,000 for the period of July 1, 2006 through June 30, 2007.

The audit of contract number P05.0018 consisted of interviews with employers that hired the parolee-participants, and a review of pertinent records and case files to evaluate CDCI's compliance with the contract for the period of July 1, 2006 through June 30, 2007.

The Audits Branch identified six reportable findings and recommends a total cost recovery of \$24,805 for unallowable workshops and job placements discussed in Findings 1 and 2. Findings 3 through 6 are non-monetary findings for incomplete data in case files, noncompliance with staffing, minimum monthly job placements, and monthly/quarterly program staff meeting requirements specified in the contract.

Summary of Findings

FINDING		Questioned Amount
1	Unsupported and Improper Job Development Workshops	\$3,712.50
2	Unallowable Job Placements	21,092.50
3	Incomplete Data in Case Files	0
4	Noncompliance with Staffing Requirements	0
5	Required Minimum Job Placements Were Not Met	0
6	Monthly/Quarterly Staff Meeting Requirements Were Not Met	0
Total		\$24,805.00

The findings are summarized below, and are discussed in more detail in the Findings and Recommendations section of the report.

FINDING 1: Unsupported and Improper Job Development Workshops

The Audits Branch disallowed \$3,712.50 for 27 unsupported and/or improper workshops. The workshops were disallowed because (1) of inadequate supporting documentation, (2) the workshops were provided before the parole agent approved the CDCR Form 1502, and (3) job placements occurred before the workshops.

FINDING 2: Unallowable Job Placements

CDCI charged CDCR \$21,092.50 for 59 unallowable job placements. The Audits Branch disallowed job placements that (1) were not for full-time employment, (2) did not result from a referral by CDCI, (3) occurred prior to a workshop, and (4) were not confirmed by the employer.

FINDING 3: Incomplete Data in Case Files

The Contractor's data management system contained inaccurate and incomplete data. Consequently, 45 case files contained incomplete data, and resulted in the disallowed amounts discussed in Findings 1 and 2.

FINDING 4: Noncompliance with Staffing Requirements

The PEP Manager resigned, but the position was not filled within 48 hours and CDCR was not notified in writing, which is a violation of contract number P05.0018. An Employment Specialist performed the duties of both the Program Manager and Employment Specialist for two and one-half months.

FINDING 5: Required Monthly Minimum Job Placements Were Not Met

Contract number P05.0018 requires CDCI to provide a minimum of 20 job placements per month. CDCI averaged only 11 placements or 55 percent of the required 20 job placements per month during FY 2006/07.

FINDING 6: Monthly and Quarterly Meeting Requirements Were Not Met

CDCI did not hold monthly and quarterly meetings with the CDCR program field unit staff to discuss or resolve PEP issues or problems. Further, CDCI Headquarters staff did not visit or hold meetings with the PEP's contract staff for over 18 months.

BACKGROUND

The CDCR entered into contract number P05.0018 with CDCI to implement the PEP for four Parole Units in Riverside County, California. The PEP is a CDCR program intended to prepare and assist parolees in obtaining and retaining permanent employment by conducting job development workshops and providing job referrals and employment placements for the parolee-participants. The costs for these services were not to exceed \$132,000 for the period of July 1, 2006 through June 30, 2007.

Upon release from prison, a parolee may be referred to the CDCI by his/her parole agent using the CDCR Form 1502. Once CDCI receives the parole agent's approved CDCR Form 1502, CDCI has to provide a job development workshop for the parolee within five days. The purpose of a job development workshop is to help parolees find jobs by educating and familiarizing them with resume preparation, job interview skills, job retention and interpersonal skills. CDCR paid CDCI \$137.50 for each completed workshop.

In addition to conducting workshops, CDCI is also required to provide job placement services for the parolees. CDCR paid CDCI \$357.50 for each job placement. Each job placement must meet the following requirements:

1. The parolee-participant must be hired full-time and work for a minimum of 20 consecutive working days within a 180-day period.
2. Full-time employment is defined as permanent employment involving not less than 32 hours per week.
3. Job placement shall be a result of a referral to an employer from the CDCI.
4. Job placement must occur after the parolee completes the workshop.

CDCI operates the PEP in Riverside, California, under the name Fresh Start. CDCI's corporate office is located in Moreno Valley, California.

The Audits Branch performed the audit based upon a request by CDCR's Division of Adult Parole Operations (DAPO) to audit all PEP contracts.

FINDINGS AND RECOMMENDATIONS

FINDING 1: Unsupported and Improper Job Development Workshops

The CDCR paid CDCI \$3,712.50 for 27 unsupported and/or improper workshops.

ISSUES	Number of Occurrences	Questioned Amount
Undocumented workshops	16	\$2,200.00
Files without workshop dates	2	275.00
Workshops before approved CDCR Form 1502	4	550.00
Workshops after job placements	5	687.50
TOTAL	27	\$3,712.50

1. Undocumented workshops

Contract number P05.0018 requires CDCI to include a workshop attendance log in each parolee's file. CDCI billed CDCR for 16 workshops that were not supported by workshop attendance logs or other documents showing that the parolees attended the workshops.

The CDCR paid CDCI \$137.50 per workshop. Therefore, \$2,200 should be disallowed for the unsupported workshops (16 workshops x \$137.50).

2. Files without workshop dates

CDCI included Attendance Certificates in parolees' case files to show that the parolees attended the workshops. However, two parolees' case files had no workshop completion dates even though they had Attendance Certificates.

Contract number P05.0018 specifically requires that workshop completion be documented in each parolee's case file. Since there is no assurance that the two parolees completed the workshops, \$275 should be disallowed (\$137.50 x 2 workshops).

3. Workshops before approved CDCR Form 1502

Contract number P05.0018 requires CDCI to enroll each parolee in a Job Development Workshop upon receipt of an approved CDCR Form 1502. Further, the contract states that CDCI should date-stamp the CDCR Form 1502 upon receipt from the parole office *prior to* providing services to a parolee. CDCR Parole Agents use the CDCR Form 1502 to authorize CDCI to provide services for each parolee.

The Audits Branch identified four instances where CDCI inappropriately provided workshop services before the Parole Agent approved the CDCR Form 1502. For example, parolee F15945 participated in a workshop on October 19, 2006, which was 13 days before the CDCR Form 1502 approval date of November 1, 2006.

The amount of \$550 was disallowed for workshops conducted before approval of the CDCR Form 1502 (\$137.50 x 4 workshops).

4. Workshops after job placements

CDCI charged CDCR for five parolees who found jobs before they participated in a workshop. For example, parolee P14193 was employed on August 9, 2005, but did not participate in a workshop until 15 months later on November 13, 2006.

The purpose of a job development workshop is to help parolees find jobs by educating and familiarizing them with resume preparation, job interview skills, job retention and interpersonal skills. Thus, a workshop should precede a job placement.

The amount of \$687.50 should be disallowed for workshops that occurred after job placements (\$137.50 x 5 workshops).

Criteria

For Items 1 and 2.

Contract number P05.0018, Exhibit A, PEP Participant Case Files, Item 2, states: "Each case file shall contain: Documentation of workshop completion (i.e., workshop attendance log)."

Contract number P05.0018, Exhibit A, Job Development Workshop Requirements, Item 4, states in part: "After completion of the Job Development Workshop, the Contractor shall . . . Place a copy of attendance verification in the case file for each parolee-participant."

Contract number P05.0018, Exhibit A, Contractor's Responsibilities, Item 15, states: "Ensure all documents pertaining to the services provided to the parolee-participant are completed and retained in the case file."

For Item 3.

Contract number P05.0018, Exhibit A, Job Development Workshop Requirements, Item 1, states: "Upon receipt of the CDCR Form 1502, the Contractor shall enroll the parolee-participant in a Job Development Workshop within five business days."

Contract number P05.0018, Exhibit A, Contractor's Responsibilities, Item 6, states: "The Contractor shall date-stamp the CDCR Form 1502, Activity Report, upon receipt from the parole office prior to providing services to a parolee. Receipt of a completed CDCR Form 1502 is considered a valid referral. A copy must be retained in the parolee-participant's case file."

For Item 4.

Contract number P05.0018, Exhibit A, Contractor's Responsibilities, states: "The Contractor shall provide service-oriented job development approach to prepare and assist parolee-participants to obtain permanent employment."

Contract number P05.0018, Exhibit A, Contractor's Responsibilities, Item 8, states in part: "The Contractor shall conduct mandatory weekly Job Development Workshops for referred Parolees Placements made prior to completion of the workshop shall not be reimbursed."

Recommendations

1. Adhere with all the provisions of the contract at all times.
2. Ensure that CDCR is billed only for valid job development workshops at all times.
3. Reimburse the CDCR \$3,712.50 for job development workshops.

FINDING 2: Unallowable Job Placements

CDCI charged CDCR \$21,092.50 for 59 unallowable job placements that did not meet the contract's criteria. Additionally, 33 job placements could not be verified.

According to contract number P05.0018, CDCI shall be paid \$357.50 for each parolee job placement. Each job placement must meet the following requirements:

- 1 The parolee-participant must be hired full-time and work for a minimum of 20 consecutive working days within a 180-day period.
- 2 Full-time employment is defined as permanent employment involving not less than 32 hours per week.
- 3 Job placement shall be a result of a referral to an employer from the CDCI.
- 4 Job placement must occur after the parolee completes the workshop.

The Audits Branch reviewed 130 job placements billed by CDCI from July 2006 through June 2007. The Audits Branch verified the job placements by contacting the employers and reviewing the parolees' employment records and case files.

As shown in the following table 59 job placements (49 percent) were unallowable because they did not meet the contract's requirements. Specifically, CDCI billed CDCR for job placements that (1) were not for full-time employment, (2) did not result from a referral by CDCI, (3) occurred prior to a workshop, and (4) were not confirmed by the employer.

The unallowable job placements total is \$21,092.50 (59 x \$357.50).

UNALLOWABLE JOB PLACEMENTS

a	b	c	d
Issues	Number of Occurrences	Incidence Rate (b / 130)	Questioned Amount (b x \$357.50)
Parolee walked-in as a result of a job announcement in press	15	12%	\$5,362.50
Part-time job (less than 32 hours per week)	6	5%	\$2,145.00
Parolee was not referred by the Contractor	16	12%	\$5,720.00
Employer had no record of employment of parolee	18	14%	\$6,435.00
Job obtained prior to workshop/Contractor's services	4	3%	\$1,430.00
Total	59	45%	\$21,092.50

In addition to the unallowable job placements above, 33 job placements could not be verified because the employers did not record the name of the agency that referred the parolee to the job. In such instances, the Audits Branch gave CDCI credit for the job placement.

Criteria

Contract number P05.0018, Exhibit A, states: "A placement occurs and is reimbursable only when the parolee-participant is hired full-time and works for a minimum of 20 consecutive working days within a 180-day period. Job placement shall be a result of a referral to an employer from the Contractor."

Contract number P05.0018, Exhibit A, states: "Full-time employment is defined in this Agreement as permanent employment involving not less than 32 hours per week."

Contract number P05.0018, Exhibit A, states: "Disallowance: Occurs when the Contractor seeks reimbursement that fails to meet placement requirements."

Contract number P05.0018, Exhibit A, states: "Placements made prior to completion of the workshop shall not be reimbursed."

Recommendations

1. Ensure that CDCR is billed only for valid job placements at all times.
2. To assist in job placement verification, CDCI should document each parolee's employment history and job placement information, including job start and end dates, the employer's name, address, telephone number, and contact person.
3. Reimburse the CDCR \$21,092.50 for unallowed job placements.

FINDING 3: Incomplete Data in Case Files

Forty-five case files did not have complete data. The 45 case files were missing 48 activity/action dates. The number of incomplete case files would have had been higher; however, the auditors accepted data provided by CDCI staff from unknown sources.

Supporting documents were not submitted with the monthly invoices. The incomplete data resulted in disallowances discussed in Findings 1 and 2.

Criteria

Contract number P05.0018, Exhibit A, Contractor's Responsibilities, Item 15, states: "Ensure all documents pertaining to the services provided to the parolee-participant are completed and retained in the case file."

Recommendation

Ensure that all documents pertaining to PEP services provided to parolee-participants are completed and retained in the case file at all times.

FINDING 4: Noncompliance with Staffing Requirements

CDCI did not comply with the contract's requirements that (1) staff vacancies be filled within 48 hours, and (2) CDCR be notified of all staff resignations.

The PEP Manager resigned, effective May 16, 2008. An Employment Specialist managed the program alone from May 16, 2008 until August 8, 2008. During that two and one-half month period, the Employment Specialist performed the duties of both the PEP Manager and Employment Specialist.

In addition, CDCI did not notify CDCR that the Program Manager had resigned.

Criteria

Contract number P05.0018, Exhibit A, Contractor's Responsibilities, Item 25, states: "If any employee of the Contractor is unable to perform assigned duties due to vacation, illness, dismissal, resignation or other factors that are beyond the Contractor's control, the Contractor shall ensure that experienced temporary personnel are made available within 48 hours and will remain until the hiring process is completed."

Contract number P05.0018, Exhibit A, Contractor's Responsibilities, Item 24, states: "The Contractor shall report in writing to the DAPO PEP Manager any resignation, reassignment, or dismissal of personnel who are designated program staff within seven calendar days of separation or assignment change."

Recommendations

1. Ensure that staff vacancies are filled within 48 hours.
2. Report in writing to the DAPO PEP Manager any resignation, reassignment, or dismissal of personnel who are designated program staff within seven calendar days of separation or assignment change.

FINDING 5: Required Monthly Minimum Job Placements were Not Met

The Contractor did not meet the contract's monthly minimum requirement of 20 job placements (5 placements x 4 units in Riverside). CDCI managed only 11 placements or 55 percent of the required 20 monthly job placements during FY 2006/07.

Criteria

Contract number P05.0018, Exhibit A, Job Placements, states: "The Contractor shall provide a minimum of five job placements per parole unit per month as listed below:"

<u>County</u>	<u>No of Parole Units</u>	<u>No of Monthly Placements</u>	<u>No of Annual Placements</u>
Riverside	4	20	240

Recommendation

The Contractor should review the contract regularly, in order to be aware of the contract's provisions regarding job placements.

FINDING 6: Monthly and Quarterly Meeting Requirements Were Not Met

The Contractor did not hold monthly and quarterly meetings with the CDCR program field unit staff to discuss or resolve PEP issues or problems, per contract requirements. CDCI staff told the Audits Branch they did not have meetings due to lack of transportation, and consequently, largely relied on telephones to communicate with parole field unit staff. Further, CDCI Headquarters' staff did not visit or hold meetings with PEP contract staff, located in Riverside, California for over 18 months. As of April 7, 2008, the last meeting was held sometime in June or July 2006.

Criteria

1. Contract number P05.0018, Exhibit A, page 4 (19), states: "Meet quarterly with CDCR program staff."
2. Contract number P05.0018, Exhibit A, page 4 (20), states: "Meet with parole field unit staff to discuss/resolve issues."

Recommendations

1. Meet monthly or quarterly with CDCR program staff.
2. Meet regularly with parole field unit staff to discuss/resolve issues.
3. Review the contract document regularly to remain familiarized with the provisions of the contract.

GLOSSARY

CDCI	California Drug Counseling, Inc.
CDCR	California Department of Corrections and Rehabilitation
CDCR Form 1502	Activity Report
DAPO	Division of Adult Parole Operations
PEP	Parolee Employment Program